



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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June 10, 2009

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

SACRAMENTO UPDATE

Sacramento Advocacy Visit

On June 8, 2009, Chairman Don Knabe, Supervisor Zev Yaroslavsky, Deputy Chief Executive Officer Miguel Santana, Public Social Services Director Phillip Browning, Chief Advocate Dan Wall, and I met with key legislators and Administration officials regarding the impact of the May Revision proposals.

The purpose of the advocacy visit was to ensure that these State officials were aware of the impact of the May Revisions on the County, suggest alternatives to elements of the Governor's plan and request that the County be included in discussions on resolving the State Budget shortfall.

The group met with Senate President pro Tem Darrell Steinberg, Senate Republican Leader Dennis Hollingsworth, Budget Conference Committee Vice-Chair Denise Ducheny, Senate Budget Conferee and Los Angeles County Delegation Member Alan Lowenthal, Assembly Speaker Karen Bass' Chief of Staff Nolie Edwards, the Governor's Chief of Staff Susan Kennedy and Department of Finance Director Mike Genest.

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A common theme at all the meetings was the State's need to act quickly given its fragile cash situation. However, it became clear that the Legislature was behind schedule and is not likely to meet its target of June 15, 2009 to complete action on the State Budget. As a result, members in both Houses indicated that they are considering the possibility of acting on education and corrections issues first, sending that legislation to the Governor and then acting on the remainder of the State Budget at a later time. As of now, no decision had been made on whether this approach will be taken.

As anticipated, Administration officials were firm on not considering new revenues as part of the solution, and they remained fully committed to all the proposed reductions in the Governor's plan. They did, however, acknowledge that there would very likely be a vigorous debate with the Legislature on whether or not the entire \$4.5 billion reserve proposed by the Governor was necessary. The Administration's strong opposition to new revenues and commitment to the proposed reductions was echoed by Senate Republican Leader Hollingsworth.

The concept of realigning one or more State programs to counties surfaced at several of the meetings including the meeting with Senate pro Tem Steinberg. This suggests that realignment has the potential to be part of a State Budget deal. The County representatives made it clear that the Board has not yet taken a position on realignment and indicated that in order for such a proposal to be favorably considered, program realignment must be accompanied with an adequate, dedicated revenue source and the County must have the authority to control the administration of the program or programs.

State Treasurer Lockyer and State Controller Chiang's joint proposal to have counties purchase State Revenue Anticipation Notes or Revenue Anticipation Warrants, (called a private placement) was also mentioned as a means to ensure that the State will have adequate cash. This office will work with the Treasurer and Tax Collector's office to review this proposal.

The possibility of new revenues was mentioned in a number of the meetings, but it was clear that no consensus has been reached about the potential for revenue solutions either with a two-thirds or majority vote. However, there was a consensus that the subject of new revenues could not even be considered until significant reductions are made to the State Budget.

In all of the meetings, the County representatives stressed that significant portions of the May Revisions, in particular the elimination of CalWORKs, constitute a shift of financial responsibility onto counties that is not sustainable. The group also highlighted

Each Supervisor
June 10, 2009
Page 3

the need for the Legislature and Administration to take no action that would jeopardize the County's Title IV-E Waiver. Finally, the County officials indicated that alternatives and ideas will be shared with the legislators and Administration.

The Attachment contains the talking points used for the visit.

We will continue to keep you advised.

WTF:GK
DW:lm

Attachment

c: All Department Heads
Legislative Strategist

**Los Angeles County Board of Supervisors
Sacramento Visit June 8, 2009**

TALKING POINTS

- **We want to help you develop solutions** that are the least harmful to the people of Los Angeles County and the State.
- **What can we do to help you reach consensus on a Budget?**
- **We oppose permanent reductions in State support** that shift financial responsibility to the County.
- **We oppose the Proposition 1A borrowing.** However, if it is necessary, then the share borrowed from counties should reflect the fact that counties have the least amount of discretion in their spending, and therefore should have the smallest amount borrowed.
- **Realignment** of a program or programs from the State to counties with a new, dedicated revenue source presents the best opportunity for a long term, structural change in the State Budget. For example, instead of eliminating CALWORKS, the responsibility could be transferred to counties along with dedicated, new revenues. This concept had strong bi-partisan support in 1991.
- **Mitigate County Impacts.** We understand that cuts are inevitable. We need mitigations in order to continue to serve LA County residents.
Suggestions:
 - Hold all 2009 bills which impose unfunded mandates on counties.
 - Change the law to allow counties the option of full cost recovery for any fee-based services.
 - Indemnify counties from federal penalties for programs where State financial support is reduced.

**HEALTH SERVICES AND MENTAL HEALTH SERVICES
STATE-COUNTY PROPOSALS**

- Critical that L.A. County be involved as active participant in discussions between the federal government and the State on proposals affecting federal revenue streams. County (both County staff and outside counsel) has significant experience/expertise w/ Medicaid financing issues, which can help ensure optimal balance between State and county interests.
- Several proposals are being considered which could provide additional funds to public health system.
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- Examples: a) Capture \$360 million unclaimed from Years 1 and 2 of the current Hospital Financing Waiver; b) Hospital Provider Fee; c) FMAP increase for Safety Net Care Pool.
- Specific to Hospital Provider Fee: pending State legislation (AB 1383 – Jones) is spot bill to enact Hospital Provider Fee – critical that Hospital Provider Fee is considered only in context of next Statewide 1115 Medicaid Waiver and not as stand-alone proposal.
- State may divert additional federal funds from these proposals to State budget deficit rather than assistance to counties; need to ensure optimal balance between State and county interests.
- L.A. County participation critical in State discussions with feds on Medicaid flexibility requested as part of State Budget deficit mitigations, as well as on next 1115 Waiver.
 - L.A. County shares interest in preserving FMAP increase, while acknowledging importance of helping State Budget deficit and avoid additional cuts.
- State Budget curtailments would also jeopardize significant amounts of other non-Medicaid-related federal funds.
 - Request flexibility to allow counties to continue to draw down federal dollars where possible.
 - Example - Healthy Families Program – mental health services. While Healthy Families Program medical coverage is funded by State match, mental health services are funded by local matching dollars. Can this continue?
- L.A. County is working with Rep. Waxman's office on proposal for federal pilot waiver of the IMD (Institutions for Mental Disease) exclusion for Medicaid for California.
 - Currently IMDs are excluded from Medicaid reimbursement. Could expand discussion to potential elimination of IMD exclusion in California.
 - Allow drawdown of federal funds by matching local expenditures already being made for Medicaid eligible individuals and services in IMDs, free-standing psychiatric facilities and some treatment facilities located within correctional settings.

- Very rough estimate, depending on how exclusion is written, net impact on LACDMH could be \$30m to \$60m.

LOCAL MANDATES

We should ask for relief from State mandates for various programs. However, given the social and political sensitivities of this issue, we need time to prepare a recommendation for the Board. In general, we should ask for a process that allows for a temporary suspension of State mandates for specific programs

PUBLIC WORKS

The biggest help to cities/counties would be for the State to ensure that all of the remaining Prop 1B monies is allocated AND distributed to cities/counties. In addition, it would be very beneficial if the State would allow the use of Prop 1B monies for maintenance means to allow greater flexibility to cities/counties in meeting road program needs.

Relief and/or time extensions for cities/counties in meeting TMDL compliance mandates would greatly aid cities during this budget crisis. Taking of road funds impacts/restricts cities/counties' ability to implement TMDLs as gas tax funds are eligible expenditures for many of the TMDL commitments to the RWQCB. Although we must continue to do all that we can to clean up stormwater/urban runoff, some deferral of deadlines to extent allowable under federal law by State Water Resources Board and Regional Water Quality Control Boards would help cities and counties through this fiscal crisis.